



Date: May 13, 2003
To: Inter-Regional Partnership
From: IRP Staff
RE: Update on IRP Legislative Activities

AB 437 and AB 723 are sponsored by Assemblywoman Barbara Matthews. The status of these bills is as follows:

AB 437

Intent - This bill would give priority eligibility in the award of state grants to local jurisdictions sponsoring opportunity zones. This includes grants that pertain to infrastructure, commercial and industrial development, and other economic development. Priority would also be given when “other incentives” are awarded pursuant to the IRP pilot program.

Status - Due to the State budget crisis, the Department of Housing and Community Development, State Treasures Office, and Caltrans expressed concern that grant money available to assist the IRP will not be available. Assemblywoman Matthews recognizes AB 437 as a two-year bill and is currently on a committee hold status. The state agencies are planning to meet in order to develop other options. Once this has been accomplished and adequate responses are received from the state agencies, the bill could be placed onto the committee hearing calendar at a later date.

AB 723

Intent - This bill is modeled after (but is not an amendment of) SB 207 (Steve Peace) from the 1999-2000 session, which was chaptered in October of 1999. That bill created tax increment financing districts in the border area near Mexico. AB 723 would allow for the creation of similar tax increment financing districts in opportunity zones created by the Inter-Regional Partnership. In order to give employers and home builders an incentive to locate in the zones, the bill would allow cities and counties to form tax increment financing districts in their respective zones. Revenues raised would be used to develop infrastructure that would improve the competitive position of the zones relative to other states and regions, and make the zones more attractive to prospective employers and developers.

Status - The bill was heard by the Assembly Local Government Committee on April 23, 2003. Assemblywoman Matthews presented the bill along with letters of support and additional testimony from Councilwoman Kathy Wright from the City of Patterson.

One of the concerns expressed by the committee member regarded the need to obtain two-thirds (2/3s) vote to create the Infrastructure Financing District(s) (IFD). Assemblywoman Matthews assured the committee that this language would be built into the bill. The Assembly Local Government Committee voted 9-0 in favor of the AB 723.

The day before AB 723 was to be reviewed by the Assembly Appropriations Committee on May 13th, 2003 at 9:00 AM, the Republican Committee Consultant expressed the following concern:

“Inasmuch as the May 5, 2003 amendments to AB 723 restored the voter approval requirements, it is not clear that this bill allows the specified local agencies to accomplish anything they could not do under the existing IFD law.”

SJCOG staff, based on input from other IRP members, formulated and forwarded language to Assemblywoman Matthews regarding the distinctions between AB 723 and existing Government Code. In addition to the two-thirds (2/3s) vote, the distinctions included the following:

- ✓ AB 723 expands beyond a city as a legislative body to designate one or more proposed IFDs. Due to the scope of the bill to address the jobs housing issue, the planning process and the designation of the IFDs would be met through the IRP.
- ✓ Current IFD code language requires negotiations with the affected taxing agencies to approve the formation of the IFD and the split of the property taxes before the IFD can be developed. AB723 expands upon AB 1290 under redevelopment financing. The bill establishes a uniform standard for property tax sharing within the redevelopment areas and between all of the taxing entities which includes the state.

The bill was reviewed and unanimously supported by the Assembly Appropriations Committee on May 14, 2003. AB 723 should be delivered to the Assembly floor in June.

Once the bill passes the Assembly floor, it will begin the reviewing protocol from the State Senate. This level of review will be more detailed. Therefore, the need to prepare for a higher level of scrutiny is in order.

Recommended Upcoming Actions

- ✓ Direct staff to prepare letters of support for the IRP co-chairs to sign, and direct staff to solicit letters of support from other agencies to be sent to all the State Assembly members. Assemblywoman Matthews' staff will communicate the time when this task needs to be delivered.
- ✓ The staff of Assemblywoman Matthews will be developing probable questions for the ITP to respond to in order to prepare for the State Senate's reviewing process.